

LEASE OPTION AGREEMENT

McKINLEY COUNTY: This Lease Option Agreement ("Agreement") is made and effective this 30th day of September, 1987, between THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, a Delaware corporation and its wholly owned railroad subsidiaries outlined on Exhibit "A" (collectively referred to herein as "ATSF") and SANTA FE ENERGY COMPANY, a Texas corporation ("Energy").

WHEREAS, the parties hereto desire to provide for the exploration, development and production of oil and gas, including all liquid and gaseous hydrocarbons and all other minerals produced in association therewith from lands in which ATSF claims, controls or may own an interest.

NOW, THEREFORE, in consideration of the payment of \$5,000.00 cash, the receipt of which is hereby acknowledged, and the covenants contained in this Agreement, ATSF and Energy agree to the following provisions:

PARAGRAPH 1: Definitions

As used in this Agreement, the following words and terms shall have the meanings set forth in this Paragraph 1.

(a) Hydrocarbons shall mean crude oil, gas, casinghead gas and all other gaseous or liquid hydrocarbons and all other mineral substances produced in association therewith, including helium, sulphur and CO₂. Hydrocarbons shall not include coal, uranium, potash or any mineral not produced in association with Hydrocarbons.

(b) SUBJECT LANDS shall mean all lands described on Exhibit "A" attached hereto (which will be amended pursuant to Paragraph 2(b.)) in which ATSF may own or may claim an interest in Hydrocarbons currently and during the term of this Agreement



FILED
Lincoln County, Oklahoma

FEB 21 1990

Sharon K. Jank
County Clerk
K. Jank

which are not now subject to any valid and subsisting oil and gas lease, or oil, gas and mineral lease. However, this Agreement shall also include any of such lands which are now subject to valid leases at such time as the existing leases expire or otherwise terminate, either in whole or in part.

240554

(c) Exploration Activities shall mean oil and gas industry generally accepted methods of all surface or subsurface geological and geophysical work performed on the Subject Lands, subject to the terms of Paragraph 5(e) hereto, or any lands whose border has at least one point in common with the Subject Lands, and any other lands in the vicinity of Subject Lands which are included in a geophysical survey of the Subject Lands, including, but not limited to field sampling, photogeology, seismic surveys, gravity surveys, magnetic surveys and any similar geophysical surveys or studies, core drilling, and the drilling, testing, completing and equipping of an oil and/or gas well.

(d) Exploration Reports shall mean the logs, test reports, surveys and other reports resulting from the performance of Exploration Activities.

(e) Option Period shall mean a period commencing on the date of this Agreement and ending on the twentieth anniversary of that date, unless this Agreement is earlier terminated as provided herein.

Paragraph 2: Title to Subject Lands

(a) ATSF does not warrant title to or quiet enjoyment of any of the Subject Lands or of any interest in the Subject Lands.

(b) ATSF shall make available to Energy during the term of this Agreement, and during normal business hours, all documents within its control which relate to ATSF interests in

Hydrocarbons. Energy shall make every reasonable effort to notify ATSF of any pending title curative action with respect to the Subject Lands as a result of Exploration Activities. Energy's obligations under this Agreement shall remain in full force and effect notwithstanding any claims of paramount title to the Subject Lands by any third party; provided, however, if it is determined that ATSF has received payments to which Energy is entitled, then ATSF shall reimburse Energy. ATSF shall provide to Energy data necessary to prepare a description of all Subject Lands owned by ATSF and Exhibit "A" shall be amended accordingly.

PARAGRAPH 3: Exploration Rights

(a) Subject to all rights in Hydrocarbons in the Subject Lands existing during the term of this Agreement, and further subject to the terms of Paragraph 5(e) hereto, ATSF assigns to Energy its rights to conduct Exploration Activities on the Subject Lands for Hydrocarbons for a period commencing on the date of this Agreement and ending on the twentieth anniversary of that date or on the date of the earlier termination or cancellation of this Agreement.

(b) Subject to the provisions of Paragraph 5(c), during the term of this Agreement, ATSF shall not grant or convey to any third party, other than to Energy or its affiliates or their respective successors or assigns, any options, licenses or leases or any other character of interest for the development or production of Hydrocarbons from beneath the Subject Lands, provided, however, that nothing in this Agreement shall prevent ATSF, its lessees, licenses, other assignees and agents from exploring for, developing, mining, producing, or processing any material or substances, excluding Hydrocarbons, on the Subject Lands. ATSF agrees that it will not grant any renewals or extensions of any currently existing options, licenses or leases

regarding the development or production of Hydrocarbons on the Subject Lands.

PARAGRAPH 4: Exploration Reports

(a) Energy agrees to make any Exploration Report pertaining to the Exploration Activities of Energy on the Subject Lands available for inspection by ATSF at Energy's principal place of business upon written notice within a reasonable time following completion of the project. ATSF shall not make any disclosure of such Exploration Reports to third parties without the prior written consent of Energy. Notwithstanding the foregoing, Energy shall not be required to disclose to ATSF any Exploration Reports or information obtained from third parties who have proscribed any further release by Energy. All of Energy's proprietary rights to the Exploration Reports shall remain in Energy until such time as Energy shall elect to surrender same. All trading rights with respect to Exploration Reports shall remain the exclusive property of Energy. Energy shall require that any person to whom Energy discloses data or information derived from or concerning the Subject Lands maintain the confidentiality of the data or information. The duties of non-disclosure and confidentiality shall survive the termination or cancellation of this Agreement.

(b) Energy will deliver to ATSF, upon written request, copies of reports concerning the Subject Lands which it files with governmental authorities together with copies of all assignments or subleases granted by Energy pertaining to the Subject Lands.

PARAGRAPH 5: Option to Lease

(a) For so long as this Agreement is valid and effective, ATSF grants to Energy the exclusive option to acquire an Oil and

Gas Lease(s) substantially in the form attached hereto as Exhibit "B". Such lease(s) shall cover all or any portion of the Subject Lands except insofar as any portion of such lands that may then be subject to an oil and gas lease or leases in favor of others.

(b) Each lease to be granted to Energy shall be granted by ATSF within 30 days of Energy's written request for such lease.

(c) If during the Option Period any third party approaches ATSF or Energy and requests a lease covering all or a portion of the Subject Lands, Energy shall have a right of first refusal to obtain a lease from ATSF on the same terms and conditions. In the event Energy does not exercise this right of first refusal, it shall negotiate on behalf of ATSF to obtain the best terms possible considering all surrounding facts and circumstances and shall waive the right granted by Paragraph 3(b) to allow ATSF to issue a lease to such third party. ATSF shall in no event be required to issue a lease on terms less favorable than those described in Exhibit B.

(d) In the event that Energy should initiate a lease request to ATSF under the terms of this Agreement, Energy shall pay a bonus consideration of \$200.00 per lease, such bonus to accompany Energy's counter-executed copy of the lease upon its return to ATSF.

(e) Due to the multiple use aspects of the Subject Land, Energy shall not conduct any Exploration Activities, including, but not limited to geophysical or similar surveys or drilling activities on Subject Land without the express written consent of, and at terms agreeable to, ATSF.

(f) All Oil and Gas Leases granted by ATSF may, for recording purposes only, be reduced to memorandum, which

memorandum shall be recorded in the county records of the county where the leased Subject Lands are located.

(g) Energy will be responsible for the filing of all lease memoranda and for the payment of filing fees and will furnish ATSF with recording information.

PARAGRAPH 6: Surrender of Subject Lands

Energy may at any time surrender its rights under this Agreement with respect to any or all of the Subject Lands. The surrender of Subject Lands shall be effective upon the delivery to ATSF of (i) a notice of surrender, and (ii) a valid release of Energy's entire interest in the surrendered Subject Lands recorded in the county where the surrendered lands are located. The notice of surrender shall contain a legal description of the surrendered Subject Lands. In the event all Subject Lands are surrendered hereunder, the Option Period shall expire and this Agreement shall terminate.

PARAGRAPH 7: Indemnity

(a) Energy shall defend, indemnify and hold ATSF harmless from and against all demands, liabilities, obligations, claims, losses, damages, penalties, causes of action and proceedings, and all costs and expenses incurred by ATSF in connection therewith, except as to curing of title matters not requested by Energy, including without limitation reasonable attorneys' fees, court costs and costs of depositions, transcripts, expert witnesses and printing imposed upon or incurred by or asserted against ATSF or ATSF's interests arising out of or related to (whether directly or indirectly) any act or omission by Energy or any person acting for, or on behalf of, Energy with respect to this Agreement. In case any action, suit or proceeding is brought against ATSF by reason of any act or omission of Energy, ATSF will notify Energy

of such action, suit or proceeding and Energy may, and upon ATSF's request, shall without expense to ATSF, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by Energy and approved by ATSF.

(b) ATSF shall defend, indemnify and hold Energy harmless from and against all demands, causes of action and proceedings, and all costs and expenses incurred by Energy, in connection therewith, except as to curing of title matters not requested by ATSF, including without limitation reasonable attorneys' fees, court costs and costs of depositions, transcripts, expert witnesses and printing imposed upon or incurred by or asserted against Energy or Energy's interests arising out of or related to (whether directly or indirectly) any act or omission by ATSF or any person acting for, or on behalf of ATSF with respect to this Agreement. In case any action, suit or proceeding is brought against Energy by reason of any act or omission of ATSF, Energy will notify ATSF of such action, suit or proceeding and ATSF may, and upon Energy's request, shall without expense to Energy, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by ATSF and approved by Energy. ATSF's obligations under this Paragraph 7 (b) shall not extend to any person other than Energy which other person exercises the rights of Energy under this Agreement or is an assignee of Energy's rights under this Agreement.

(c)(1) The indemnitor's obligations to indemnify under paragraph 7(a) or (b) shall not extend to liability, claims, damages, losses, or expenses, including attorneys' fees, arising out of:

(i) the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs or specifications by indemnitee, or the agents or employees of the indemnitee, or

(ii) the giving of or the failure to give directions or instruction by the indemnitee, or the agents or employees of the indemnitee, where such giving or failure to give directions or instructions is the primary cause of bodily injury to persons or damage to property.

(2) The indemnitor shall have no obligation under paragraphs 7(a) or (b) to indemnify the indemnitee against loss or liability for damages for:

(i) death or bodily injury to persons; or

(ii) damage to property; or

(iii) any other loss, damage or expense arising under (i) or (ii) or both; or

(iv) any combination of these, arising from the sole or concurrent negligence of the indemnitee or the agents or employees of the indemnitee or any independent contractor who is directly responsible to the indemnitee, or from any accident which occurs in operations carried on at the direction or under the supervision of the indemnitee or an employee or representative of the indemnitee or in accordance with methods and means specified by the indemnitee or employees or representatives of the indemnitee.

PARAGRAPH 8: Relationship of Parties

The parties intend that Energy shall serve as an independent contractor hereunder. The conduct and control of the activities to be performed hereunder shall be at Energy's sole discretion.

Neither Energy nor any person acting for or on behalf of Energy hereunder shall be considered an agent, employee, joint venturer or partner of ATSF for any purpose, and the employees of Energy shall not be entitled to any of the benefits which ATSF provides for ATSF's employees.

000007

PARAGRAPH 9: Choice of Law and Forum

This Agreement and all matters arising out of or relating to this Agreement shall be governed and construed according to the laws of the State of Texas.

PARAGRAPH 10: Waiver

Failure by ATSF or Energy to enforce any provisions of this Agreement shall not constitute a waiver of rights. All waivers shall be in writing, be identified as a waiver, designate the right waived, and be signed by the waiving party.

PARAGRAPH 11: Successors and Assigns

This Agreement shall inure to and be binding upon the successors of the parties hereto. ATSF and Energy may assign their interest under this Agreement, in whole or in part, provided, however, that the assignee assumes the assignor's duties and obligations hereunder and ATSF or Energy shall provide notice of any such assignment to the other party within a reasonable period of time after assignment.

PARAGRAPH 12: Paragraph Headings

All headings of the paragraphs in this Agreement have been inserted for convenience only, are not a part of this Agreement, and shall in no way affect the interpretation of any provision of this Agreement.

PARAGRAPH 13: Recording of Memorandum of Agreement

This Agreement may, for recording purposes only, be reduced to memorandum, which memorandum may be recorded by Energy in the county records of the counties where the Subject Lands are located. Upon termination of this Agreement, Energy shall record appropriate releases in the records of said counties.

PARAGRAPH 14: Notices

Such notices or other communications required or permitted shall be deemed to have properly been given or delivered when delivered personally or when sent by Certified Mail, Return Receipt Requested, or telegraphed with all postage and charges prepaid to the parties at the following addresses:

Vice President - Operations

The Atchison, Topeka and Santa Fe Railway Company

80 East Jackson Boulevard

Chicago, Illinois 60604

Santa Fe Energy Company

1616 South Voss Road, Suite 1000

Houston, Texas 77057

or to such other address as either party may from time to time direct by notice to the other party at its previous address.

By: R. B. Bonnevill
Assistant Secretary

By: William John Swartz
Title: _____

ATTEST: _____

By: L. H. Moulder
Secretary

By: J. Bridwell
Title: V.P.

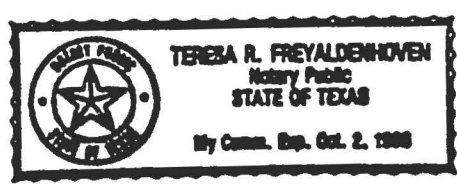
ATTEST: _____

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me this 15th day of October, 1987, by J. L. Bridwell, Vice President of SANTA FE ENERGY COMPANY, a corporation.

IN WITNESS WHEREOF, I hereby set my hand and seal of office .

Teresa R. Freyaldenhoven



STATE OF ILLINOIS
COUNTY OF COOK

This instrument was acknowledged before me this 14th day of October, 1987, by William John Swartz, President of The McGraw-Hill Companies, Inc., a corporation.

IN WITNESS WHEREOF, I hereby set my hand and seal of office.

Jeannette Farley
My Commission Expires Aug. 25, 1989



COUNTY OF LINCOLN } ss OFFICE OF THE COUNTY CLERK
STATE OF OKLAHOMA }
I, SHARON K. TURK, County Clerk of Lincoln County, State of Oklahoma, do hereby certify that the within and foregoing instrument is a true, correct and complete copy of Lease Option Agreement as filed for record in my office on the 21 day of Feb, 1990, at 12:30 o'clock P.M. and recorded in book 1147, at page 516-541.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal. The seal of my office this 21 day of Feb, 1990.
SHARON K. TURK By Sharon K. Turk
County Clerk Deputy

2405554

1 0000

EXHIBIT "A" ATTACHED TO AND MADE A PART OF LEASE OPTION AGREEMENT DATED AS OF SEPTEMBER 30, 1987 BY AND BETWEEN THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND SANTA FE ENERGY COMPANY

SUBJECT LANDS

<u>COMPANY</u>	<u>STATES</u>
The Atchison, Topeka and Santa Fe	~ California, Arkansas, New Mexico, Texas, Louisiana, Oklahoma, Colorado, Kansas, Missouri, Iowa and Illinois.
The Dodge City and Cimarron Valley Railway Company	. Kansas, Colorado
The Garden City, Gulf and Northern Railroad Company	. Kansas
The Kansas Southwestern Railway Company	. Kansas
The Clinton and Oklahoma Western Railroad Company	. Oklahoma
Rio Grande, El Paso and Santa Fe Railroad Company	. Texas
The Gulf and Inter-State Railway Company of Texas	. Texas
Fresno Interurban Railway Company	~ California

20051



240554

SECRETARY'S CONTRACT NO.

BETWEEN

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

and

— AGREEMENT —

Non-Drilling Oil and Gas Lease
covering Santa Fe Land in

Dated _____, 19 _____

LEASE, made and entered into as of this _____
day of _____, 19_____, by and between THE
ATCHISON, TOPEKA AND SANTA FE RAILWAY COM-
PANY, a Delaware corporation (hereinafter called "Santa Fe")
and _____

hereinafter, whether one party or more, called "Lessee":

WITNESSETH:

RECITALS:

Lessee is the owner, or has a working agreement with the owner, of certain oil and gas leases covering properties in or near the said _____

As said properties have direct bearing on Santa Fe Land, and inasmuch as they surround and/or abut Santa Fe Land, Lessee desires to obtain from Santa Fe an oil and gas lease covering Santa Fe Land so as to permit Lessee to consolidate Santa Fe Land with adjacent properties, to the extent hereinafter set out, for the purpose of oil and gas development and operation.

Santa Fe agrees to lease the Santa Fe Land to Lessee for this purpose, subject to the limitations and conditions hereinafter set forth.

AGREEMENT:

The parties hereto, for the considerations hereinafter expressed, agree as follows:

1. Santa Fe, for and in consideration of the sum of Two Hundred and No/100

_____ DOLLARS
\$ 200.00, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of Lessee to be kept and performed, does hereby grant, lease and let the Santa Fe Land exclusively unto Lessee, with the right and permission given Lessee to pool or combine all or any part of the Santa Fe Land with adjacent lands into drilling units, in order properly to develop and operate the Santa Fe Land for the sole and only purpose of producing the oil, gas, and all other fluid hydrocarbon substances therefrom. Lessee shall execute a written instrument designating, identifying and describing any drilling unit or units created hereunder, shall file same with the County Clerk of the County wherein the Santa Fe Land is situated, and shall mail a copy of such unit designation to Santa Fe. Lessee may elect to exercise said pooling option after commencing operations for or completing an oil or gas well, and the pooled unit may include, but is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil, gas, and all other fluid hydrocarbon substances from a pooled unit which includes all or a part of the Santa Fe Land, regardless of whether such operations for drilling were commenced or such production was secured before or after execution of this instrument, or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil, gas, and other fluid hydrocarbon substances from the Santa Fe Land. Provided, however, that no pooled unit so created for oil hereunder shall exceed forty (40) acres in area, and that no pooled unit so created for gas shall exceed _____ hundred _____ (____) acres in area, plus in either case a tolerance of 10%; but provided further that if spacing regulations of the _____, or any other governmental authority having jurisdiction in the matter, shall prescribe a spacing pattern or shall allocate a producing allowable based in whole or in part on acreage per well, then the unit or units herein contemplated may have the maximum surface acreage content so prescribed or allocated, even though such unit may exceed forty (40) acres or _____ hundred _____ (____) acres respectively. Any royalty due Santa Fe as a result of its participation in this agreement shall be determined in the manner hereinafter provided.

2. Santa Fe reserves unto itself the right to make such uses of the Santa Fe Land as Santa Fe may desire in its sole discretion.

3. While it is hereby agreed that the Santa Fe Land herein and hereby leased to Lessee may be operated and developed as a part or parts of a drilling unit or units composed in part of other land, Lessee agrees not to drill any well on the surface of the Santa Fe Land under any circumstances, and further agrees not to place any slush pond, pipe line, tank or other structure upon any part of the Santa Fe Land without the prior written consent of the President or a Vice President of Santa Fe in each instance, the only purpose of this agreement being to permit Lessee to drain oil, gas, and all other fluid hydrocarbon substances lying beneath the surface of the Santa Fe Land. Lessee shall not drain, extract, or remove any material or substance other than oil, gas, and all other fluid hydrocarbon substances from beneath the surface of the Santa Fe Land except as is reasonably necessary for the efficient recovery of oil, gas, and other hydrocarbon substances. In the event Lessee discovers any other material or substance beneath the surface of the Santa Fe Land, Lessee shall notify Santa Fe within 10 days of any discovery and thereafter take such action as Santa Fe may thereafter reasonably request to prevent the waste and facilitate the recovery of such other material or substance.

4. Lessee shall, at its sole expense, develop and drill protection wells, prevent drainage by drilling offset wells, diligently to the extent allowed by law and consistent with the terms of this lease,

explore and develop every drilling unit which includes any portion of the Santa Fe Land, and market the oil, gas, and all other fluid hydrocarbon substances produced from the Santa Fe Land and from every drilling unit which includes any portion of the Santa Fe Land.

5. Santa Fe agrees that, on production from any drilling unit that includes the Santa Fe Land or any part thereof, it shall receive only such proportion of the royalty stipulated herein as the amount of Santa Fe Land placed in such drilling unit bears to the total acreage in that unit. Santa Fe further agrees that if title to any of the Santa Fe Land in a particular drilling unit is at any time during the term of this lease not owned exclusively by

either in fee simple absolute or by base or determinable fee, the royalties to be paid Santa Fe by Lessee on production from that unit shall be reduced proportionately. Subject to the terms hereof, Lessee agrees to pay to Santa Fe the following royalties, to wit:

(a) On oil, three - sixteenth 3/16 of that produced from the Santa Fe Land and from every drilling unit which includes any portion of the Santa Fe Land, the same to be delivered at the wells or to the credit of Santa Fe in the pipe line or tanks to which Lessee's well or wells may be connected, or at Santa Fe's option. Lessee shall pay Santa Fe its royalty proportion of the proceeds of oil sold during each calendar month.

(b) On gas produced from the Santa Fe Land and from every drilling unit which includes any portion of the Santa Fe Land, the ~~market~~ price, at the well of three - sixteenth 3/16 of the gas produced. received

(c) On all other fluid hydrocarbon substances recovered from the Santa Fe Land and from every drilling unit which includes any portion of the Santa Fe Land, three - sixteenth 3/16 of the ~~market value of~~ the hydrocarbon substances recovered. price received for

(d) The royalties due Santa Fe pursuant to (a), (b), and (c) shall be computed on the basis of the ~~maximum~~ prices for which Lessee ~~may sell~~ receives for such oil, gas, and all other fluid hydrocarbon substances, ~~under applicable law, notwithstanding Lessee's election to sell such oil, gas, or other fluid hydrocarbon substances at a price which is less than the maximum allowable price.~~

In the event that Lessee obtains from all other lessors whose lands constitute any drilling unit which includes a portion of the Santa Fe Land, the right to use, free of charge, oil, gas, or any other fluid hydrocarbon substance in the Lessee's operations on such drilling unit, the royalties provided for in (a), (b), and (c) above shall be computed on net production after deducting the amount of oil, gas, and any other fluid hydrocarbon substance used by Lessee in its operations. Royalties from each drilling unit shall be retroactive to the date of the first production from that drilling unit.

Where a gas well or wells located on any drilling unit, as designated herein, are producing gas and such gas is not sold or used, Lessee may pay to Santa Fe as royalty, on or before each anniversary date of this lease occurring after the expiration of ninety (90) days from the shutting in of said well or wells, ONE HUNDRED AND NO/100 DOLLARS (\$100.00) per well per annum; and if and so long as such royalty payment is made, it will be considered that gas is being produced in paying quantities from said well or wells under this lease. If any part of the Santa Fe Land is pooled with any adjoining acreage under the terms of this lease and Lessee desires to invoke the above provisions relative to the payment of \$100.00 per well per annum, said payment of \$100.00 per well per annum, shall be made to Santa Fe regardless of how or to what extent the Santa Fe Land may be pooled with any other acreage.

6. Subject to any governmental regulations, each well drilled under the provisions of this agreement shall, so long as it is capable of producing oil, gas, and other fluid hydrocarbon substances, in paying quantities, be operated by Lessee as a reasonably prudent operator in the same or similar circumstances would operate such a well.

7. Lessee agrees at all times to conduct operations hereunder, as such may have bearing on the Santa Fe Land, in a careful and workmanlike manner, in conformity with the requirements of any Federal, State or Municipal authority, and so as not in any way to interfere with the use or enjoyment of the Santa Fe Land including, but not limited to, Santa Fe's safe and convenient operation of its railroad.

8. Lessee agrees to indemnify and save harmless Santa Fe from and against all claims, demands, actions or causes of action of whatsoever character, in behalf of any person, natural or corporate, which are the result of the acts or omissions of

Lessee. Upon receipt of written notice from Santa Fe, Lessee shall forthwith assume the defense of such claims, demands, actions or causes of action, and shall save and hold harmless the Santa Fe from and against all loss, cost, expense and liability by reason thereof.

Without in any way affecting Lessee's obligations to Santa Fe under the remainder of this Section 8, Lessee shall be liable to Santa Fe for all costs and expenses incurred by Santa Fe as a result of any subsidence or other change in elevation of the surface of the Santa Fe Land and for all damages to the Santa Fe Land which are the result of any subsidence or other change in elevation of the Santa Fe Land.

9. Santa Fe, at all reasonable times during office hours, shall have access to Lessee's records and books of account relating to the production of oil, gas, and all other fluid hydrocarbon substances from any drilling unit or units of which the Santa Fe Land or any part thereof constitutes a part. However, only such representatives of Santa Fe as are duly authorized by it in writing to examine such records and books of account need be given access thereto by Lessee.

10. All moneys due Santa Fe by Lessee hereunder shall be paid by Lessee to the Treasurer of Santa Fe, 920 ^{SE Quiney} ~~James~~ Street, Topeka, Kansas 66628. Settlement for and payment of all royalties shall be made on or before the last day of each calendar month for all oil, gas, and other fluid hydrocarbon substances produced and sold during the preceding calendar month. If title of _____ to the Santa Fe Land shall come into litigation, Lessee may withhold payment of royalties to Santa Fe until final adjudication or other settlement of such litigation.

11. Lessee shall pay all taxes of every kind as currently levied and assessed upon or against all of Lessee's leasehold interest in the oil, gas, and all other fluid hydrocarbon substances in and under said Santa Fe Land and/or as measured by the production thereof, provided, however, (a) that Lessee shall not be responsible for any income tax accruing upon Santa Fe's income from the production from said Santa Fe Land, (b) that nothing in this Section 11 shall prevent Lessee or Lessee's heirs, executors, administrators, successors or assigns, from in good faith contesting the validity of any tax or taxes which they may deem illegal, and (c) that if a legal contest of any such tax or taxes shall be pending upon the date such tax or taxes shall become delinquent, or if such contest shall be instituted within ten (10) days after such tax or taxes become delinquent, Lessee shall not be required to pay any such tax or taxes until ten (10) days after the final determination of such contest, whereupon Lessee shall pay all such tax or taxes that shall not have been eliminated by such contest, together with any and all interest and penalties thereon which may then be due, and all costs and expenses of such contest.

Lessee shall keep the Santa Fe Land free of all liens and encumbrances which might attach as a result of Lessee's acts or omissions. In the event that such a lien or encumbrance does attach to the Santa Fe Land, Lessee shall, at its own expense, take all action necessary to discharge, satisfy, cancel, or otherwise remove such lien or encumbrance. In the event that Lessee fails to commence such action within thirty (30) days after Lessee has knowledge of the existence of such a lien or encumbrance, Santa Fe shall have the option to take all action necessary to discharge, satisfy, cancel, or otherwise remove such lien or encumbrance, and Lessee shall be liable to Santa Fe for all costs and expenses incurred by Santa Fe in taking such action; provided that Santa Fe's option shall not diminish Lessee's primary obligation under this paragraph.

12. Subject to the other provisions herein contained, this lease shall remain in force and effect for a primary term of five (5) years from its date and as to each separate unit designated hereunder, so long thereafter as oil, gas, and other fluid hydrocarbon substances are produced therefrom in paying quantities; provided, however, this lease shall terminate on _____, 19____, as to all, or any part, of the Santa Fe Land not included in a drilling unit on which a well has been commenced and drilling or reworking operations are being diligently prosecuted, ~~unless~~ Lessee shall, on or before said date, pay or tender to Santa Fe the sum of _____ (\$_____) per acre for any such Santa Fe Land, which payment or tender shall operate as rental and cover the privilege of deferring for a period of one year from said date, commencement of said drilling or reworking operations affecting any such Santa Fe Land. In like manner and upon like payment or tender annually of said rental by Lessee, on or before each anniversary date of this lease, commencement of drilling or reworking operations affecting any such Santa Fe Land may be further deferred for successive one-year periods during the primary term of this lease. The payment or tender of rental by Lessee may be made by check or draft mailed or delivered to Santa Fe on or before any such date. The cash consideration stated in Section 1 of this lease shall not be allocated as rental for any period.

13. If, during the primary term of this lease and before discovery of oil, gas, or other fluid hydrocarbon substances on a drilling unit of which the Santa Fe Land or any part thereof constitutes a part, Lessee shall drill and abandon a dry hole or holes thereon, or if at any time after discovery of oil, gas, and all other fluid hydrocarbon substances on such drilling unit, production thereof should cease from any cause, this lease shall not terminate as to Santa Fe Land in such drilling unit.

1 6669

~~Lessee commences reworking or additional drilling operations on such drilling unit within sixty (60) days thereafter, or during the primary term of this lease commences or resumes the payment or tender of rentals applicable to Santa Fe Land in said drilling unit, on or before the rental paying date (if any) next ensuing after the expiration of sixty (60) days from date of completion and abandonment of said dry hole or holes, or the cessation of production. If during the last year of the primary term and prior to discovery of oil, gas, or other fluid hydrocarbon substances on such drilling unit, Lessee shall drill and abandon a dry hole thereon. no rental payment or drilling or reworking operations shall be necessary in order to keep this lease in force as to Santa Fe Land in such drilling unit during the remainder of the primary term. If at the expiration of the primary term, oil, gas, or other fluid hydrocarbon substances are not being produced on any such drilling unit, but Lessee is then engaged in operations for drilling or reworking of any well or wells thereon, this lease shall remain in force as to such drilling unit so long as drilling or reworking operations thereon are prosecuted (whether on the same or different wells) with no cessation of more than sixty (60) consecutive days and, if they result in production, so long thereafter as oil, gas, and other fluid hydrocarbon substances are produced from said drilling unit.~~

13 (a)
13 (b)

14. No waiver by Santa Fe of any right to terminate this lease shall be held to be a waiver of any subsequent right to terminate; nor shall any termination of this agreement release or relieve Lessee from any Liability or obligation accrued prior to the date of termination, or thereafter, in case by the terms of this instrument it is expressly provided that anything shall be done after such termination.

15. Whenever, as to all or any part of the Santa Fe Land, Lessee's rights under this lease shall be terminated in any manner whatsoever as herein provided, Lessee shall execute ~~in recordable form~~ and deliver to Santa Fe a legally ^{recorded -} sufficient release of such Santa Fe Land so affected. Lessee may, at any time, by executing and delivering to Santa Fe a suitable release ~~in recordable form~~, release all or any part or parts of the Santa Fe Land and be relieved of all unaccrued obligations as to such released land, ~~and thereafter the rental payable hereunder by Lessee shall be reduced in the same proportion that the acreage released bears to the acreage covered by this lease;~~ provided, however, that Lessee may not, without the written consent of Santa Fe, release any part of the Santa Fe Land pooled in a drilling unit, as provided for in Section 1 hereof, so long as such drilling unit is producing oil, gas, or other fluid hydrocarbon substances in paying quantities.

16. Lessee shall, at the time of abandonment and in accordance with the rules and regulations of any governmental body having jurisdiction, plug any abandoned well on any drilling unit of which the Santa Fe Land or any part thereof constitutes a part.

17. All the covenants and agreements herein contained shall inure to and bind the heirs, executors, administrators, successors and assigns of the parties hereto; provided that if the rights of either party hereunder are transferred or assigned, no such transfer and no such assignment of rights hereunder by either party, or by the heirs, executors, administrators, successors or assigns of either party, shall be effective as between the parties hereto until the party making such transfer or assignment has furnished the other party hereto a recordable copy of the instrument or instruments effecting such transfer or assignment; and further, no assignment by Lessee of any right or rights hereunder in all, or any part or parts, of the Santa Fe Land shall release Lessee, or any assignee or assignees under Lessee, from any of the covenants or obligations contained in this lease, but each and all of such covenants and obligations shall extend to and be binding upon Lessee and any such assignee and assignees. Santa Fe and Lessee shall have the right to assign or transfer this lease in whole or in part on the foregoing terms: provided that prior to any transfer or assignment of this lease, in whole or in part, for purposes of creating a unit for secondary, tertiary, or other enhanced recovery operations, Lessee shall obtain the prior written consent of Santa Fe.

18. Performance of each obligation of Lessee under this lease and of each obligation of Lessee implied by law, shall constitute a condition to the continued validity of this lease. Whenever Lessee fails to fulfill any condition of this lease, except those stated in Section 12, Santa Fe shall have the right to terminate this lease, provided that Santa Fe has given Lessee thirty (30) days' written notice of Santa Fe's intention to terminate and Lessee has not, within such thirty (30) days, fulfilled all conditions under this lease. With respect to nonfulfillment of the conditions stated in Section 12, this lease shall terminate without notice from, or any other action on the part of, Santa Fe.

In addition to Santa Fe's right to terminate as provided in the foregoing paragraph, Santa Fe shall also have the right to cancel this lease in the event that Lessee breaches any of its covenants or obligations under this lease, or as implied by law, provided that Santa Fe shall give Lessee sixty (60) days' notice of Santa Fe's intention to cancel. If, during such sixty (60) days, Lessee corrects all breaches of its covenants and obligations to Santa Fe's satisfaction, Santa Fe shall not cancel this lease, but shall have a right to damages from Lessee which result from the breach. Cancellation shall not be the exclusive remedy of Santa Fe in any event.

*13(a). It is understood and agreed that in the event production is effected in paying quantities for 2 years after expiration of the primary term hereof this lease shall terminate as to all formations 100 feet or more below the depth to which production casing has been set in the deepest well drilled on a unit of which the premises leased hereby are made a part.

*13(b). It is further understood and agreed that the surface of the land described herein shall not be utilized in any manner during the drilling, maintaining and/or plugging of any wells that might be drilled and/or completed on the lands described herein, and no rights of ingress or egress are granted over or upon any of the land described herein.

240553A

Santa Fe's failure to notify Lessee of the failure of any condition or the breach of any covenant or obligation shall not constitute a waiver by Santa Fe and shall not bar a subsequent claim of failure of any condition or breach of any covenant or obligation.

19. Should Lessee, because of (a) inability to obtain necessary equipment or material, (b) the effect of any event beyond the control of Lessee, or (c) any Federal or State law or any order, rule or regulation of governmental authority, be prevented from complying with any express or implied covenant of this lease, or from performing any duty in connection with drilling or reworking operations on, or producing oil, gas, and other fluid hydrocarbon substances from, any drilling unit of which the Santa Fe Land or any part thereof constitutes a part, then, while Lessee is so prevented, Lessee's obligation to comply with such covenant or to perform such duty shall be suspended, and Lessee shall not be liable in damages for any such failure to comply or perform. This lease shall be extended while and so long as Lessee is prevented by any such cause from complying with such covenant or conducting drilling or reworking operations on or producing oil, gas, and other fluid hydrocarbon substances from any drilling unit of which the Santa Fe Land or any part thereof constitutes a part; and the time while Lessee is so prevented shall not be counted against Lessee.

20. This lease is executed without warranty of any kind, character or description whatsoever, express or implied, by or on the part of Santa Fe; and no covenant of warranty of any kind, character or description whatsoever shall be implied by the use of any word or words herein contained.

IN WITNESS WHEREOF, this lease has been executed in duplicate by the parties hereto as of the day and year first above written.

THE ATCHISON, TOPEKA AND SANTA FE
RAILWAY COMPANY

By _____
Vice President

Attest:

Secretary

(Lessee)

By _____
Its

Attest:

All or part of the property to which the foregoing instrument pertains is owned by _____
The Dodge City and Cimarron Valley Railway Company.

hereinafter called "Owner," and, together with all other physical property of Owner, is in the

possession of The Archison, Topeka and Santa Fe Railway Company, hereinafter called "Operating Company," under a lease authorizing the making of the foregoing instrument by Operating Company with the consent of Owner; and Owner hereby consents to and approves the making of the foregoing instrument with the understanding and upon the condition that if at any time during the term thereof Owner shall take possession of its railroad and property, it shall be substituted in the place and stead of Operating Company, and shall succeed to all of Operating Company's interest in said instrument for and during the remainder of any unexpired term thereof.

The Dodge City and Cimarron Valley Railway Company

By _____

William Plun Searcy
Its President

240534

All or part of the property to which the foregoing instrument pertains is owned by _____
The Garden City, Gulf and Northern Railroad Company.

hereinafter called "Owner," and, together with all other physical property of Owner, is in the possession of The Atchison, Topeka and Santa Fe Railway Company, hereinafter called "Operating Company," under a lease authorizing the making of the foregoing instrument by Operating Company with the consent of Owner; and Owner hereby consents to and approves the making of the foregoing instrument with the understanding and upon the condition that if at any time during the term thereof Owner shall take possession of its railroad and property, it shall be substituted in the place and stead of Operating Company, and shall succeed to all of Operating Company's interest in said instrument for and during the remainder of any unexpired term thereof.

The Garden City, Gulf and Northern Railroad Company

By _____

William H. Swartz

Its President

All or part of the property to which the foregoing instrument pertains is owned by_____

_____The Kansas Southwestern Railway_____Company.

hereinafter called "Owner." and, together with all other physical property of Owner, is in the possession of_____The Atchison, Topeka and Santa Fe Railway_____Company, hereinafter called "Operating Company," under a lease authorizing the making of the foregoing instrument by Operating Company with the consent of Owner; and Owner hereby consents to and approves the making of the foregoing instrument with the understanding and upon the condition that if at any time during the term thereof Owner shall take possession of its railroad and property, it shall be substituted in the place and stead of Operating Company, and shall succeed to all of Operating Company's interest in said instrument for and during the remainder of any unexpired term thereof.

_____The Kansas Southwestern Railway_____

By_____

Its_____President_____

All or part of the property to which the foregoing instrument pertains is owned by _____
Rio Grande, El Paso and Santa Fe Railroad Company.

hereinafter called "Owner," and, together with all other physical property of Owner, is in the possession of The Atchison, Topeka and Santa Fe Railway Company, hereinafter called "Operating Company," under a lease authorizing the making of the foregoing instrument by Operating Company with the consent of Owner: and Owner hereby consents to and approves the making of the foregoing instrument with the understanding and upon the condition that if at any time during the term thereof Owner shall take possession of its railroad and property, it shall be substituted in the place and stead of Operating Company, and shall succeed to all of Operating Company's interest in said instrument for and during the remainder of any unexpired term thereof.

Rio Grande, El Paso and Santa Fe Railroad Company

By _____

William H. Searcy
Its President

240558

All or part of the property to which the foregoing instrument pertains is owned by _____
The Gulf and Inter-State Railway Company of Texas, ~~XXXXXXXXX~~ Company.

hereinafter called "Owner," and, together with all other physical property of Owner, is in the possession of The Atchison, Topeka and Santa Fe Railway Company, hereinafter called "Operating Company," under a lease authorizing the making of the foregoing instrument by Operating Company with the consent of Owner; and Owner hereby consents to and approves the making of the foregoing instrument with the understanding and upon the condition that if at any time during the term thereof Owner shall take possession of its railroad and property, it shall be substituted in the place and stead of Operating Company, and shall succeed to all of Operating Company's interest in said instrument for and during the remainder of any unexpired term thereof.

The Gulf and Inter-State Railway Company of Texas

By William F. Smith
Its President

All or part of the property to which the foregoing instrument pertains is owned by _____

Fresno Interurban Railway Company.

hereinafter called "Owner," and, together with all other physical property of Owner, is in the possession of The Atchison, Topeka and Santa Fe Railway Company, hereinafter called "Operating Company," under a lease authorizing the making of the foregoing instrument by Operating Company with the consent of Owner; and Owner hereby consents to and approves the making of the foregoing instrument with the understanding and upon the condition that if at any time during the term thereof Owner shall take possession of its railroad and property, it shall be substituted in the place and stead of Operating Company, and shall succeed to all of Operating Company's interest in said instrument for and during the remainder of any unexpired term thereof.

Fresno Interurban Railway Company

By _____

William S. Smith

Its President

240,553

STATE OF NEW MEXICO
COUNTY OF McALINLEY }

Filed for record in the Clerk's office.

the 30th day of April
A. D. 1990 at 11:00 clock A. M.

and recorded in Book 1
of Comp page 6652-6677

Blanca A. Lente

Aula Chavez, Dep